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INFORMATION BULLETIN

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LIMITS AND RATES GOVERNING THE USE OF AN AUTOMOBILE FOR 2016 AND OTHER MEASURES

This information bulletin sets forth the limits governing the deductibility of automobile expenses and the rates for benefits relating to the use of an automobile for 2016.

It also specifies the changes to be made to the rate of the quick method of accounting, which may be used by municipalities for the purposes of the Québec sales tax system.

Lastly, it announces the recognition of two new college centres for the transfer of technology for the purposes of the refundable tax credit for technological adaptation services.

For information concerning the matters dealt with in this information bulletin, contact the Secteur du droit fiscal et des politiques locales et autochtones at 418 691-2236.

The English and French versions of this bulletin are available on the Ministère des Finances website at www.finances.gouv.qc.ca.

1. LIMITS GOVERNING THE DEDUCTIBILITY OF AUTOMOBILE EXPENSES AND RATES FOR BENEFITS RELATING TO THE USE OF AN AUTOMOBILE FOR 2016

On December 24, 2015, the Minister of Finance of Canada announced, in a news release, the limits governing the deductibility of automobile expenses as well as the rates used to calculate the value of the taxable benefits relating to the use of an automobile that will apply for the year 2016.[1]

In this regard, in keeping with the principle of substantial harmonization of tax legislation regarding automobiles, the various limits and rates governing the deductibility of automobile expenses and the calculation of the value of the taxable benefits relating to the use of an automobile contained in Québec's tax legislation and regulations will be, for 2016, the same as those applicable in the federal tax system. These limits and rates are shown in the table below.

Limits governing the deductibility of automobile expenses and rates for benefits relating to the use of an automobile for 2016

Automobile expenses or value of certain taxable benefits	Limit or rate
Amount deductible from allowances paid by an employer to an employee according to distance travelled with the employee's automobile	
– For the first 5 000 kilometres:	as of January 1, 2016, the limit will decrease from $0.55/km to $0.54/km.[1]
– For additional kilometres:	as of January 1, 2016, the limit will decrease from $0.49/km to $0.48/km.[1]
Value of the benefit relating to operating expenses of an automobile that an employee uses for personal purposes where the automobile is supplied by the employer	
– If the job consists mainly in selling or leasing automobiles during the taxation year:	as of January 1, 2016, the rate will decrease from $0.24/km to $0.23/km.[1]
– In other cases:	as of January 1, 2016, the rate will decrease from $0.27/km to $0.26/km.[1]
Maximum capital cost of passenger vehicles for the purposes of the capital cost allowance:	for vehicles acquired after 2015, the maximum capital cost will remain at $30 000.[2]
Interest expenses eligible as a deduction:	for vehicles acquired after 2015, the limit will remain at $300/month.
Leasing charges eligible as a deduction:	for leases concluded after 2015, the limit will remain at $800/month.[2]

1 The limit will continue to be 4 cents higher per kilometre in Yukon, in the Northwest Territories and in Nunavut, to reflect the higher cost of maintaining and operating a vehicle in those territories. Accordingly, it will be $0.58 for the first 5 000 kilometres and $0.52 for additional kilometres.

2 Before applicable sales taxes.

1 DEPARTMENT OF FINANCE CANADA, *News Release 15-090: Government Announces the 2016 Automobile Deduction Limits and Expense Benefit Rates for Business*, www.fin.gc.ca/n15/15-090-eng.asp.

2. CHANGE TO THE RATE OF THE QUICK METHOD OF ACCOUNTING FOR MUNICIPALITIES

The Québec sales tax (QST) system provides for a quick method of accounting for certain public service bodies, in order to simplify the determination of their net tax to remit for a reporting period.

Briefly, under this method, qualifying non-profit organizations (NPOs)—NPOs that receive at least 40% of their funding from a government or municipality—as well as selected public service bodies, essentially municipalities, hospital authorities, and non-profit school authorities, public colleges and universities, may determine their net tax to remit by applying a prescribed rate to the total receipts from their taxable supplies, instead of establishing the QST collected on each of their supplies and that paid on most of their acquisitions.

Originally, the prescribed rate was the same for all of these bodies, but it was reduced for municipalities when their right to a partial QST rebate was abolished in 1997. Given that, in 2014, municipalities were entitled again to a partial QST rebate, the prescribed rate in respect of municipalities will be raised from 5.7% to 7.3%, so that it is the same as that prescribed for the other bodies.

The new prescribed rate for municipalities will apply to all reporting periods beginning after June 30, 2016.

3. RECOGNITION OF COLLEGE CENTRES FOR THE TRANSFER OF TECHNOLOGY FOR THE PURPOSES OF THE REFUNDABLE TAX CREDIT FOR TECHNOLOGICAL ADAPTATION SERVICES

A refundable tax credit for technological adaptation services, calculated at the rate of 40%, is granted to a corporation that carries on a business in Québec and has an establishment in Québec related to eligible liaison and transfer services that are carried out on its behalf by a recognized college centre for the transfer of technology (CCTT).

The Regulation respecting the Taxation Act will be amended to recognize two additional CCTTs for the purposes of the tax credit.

First, the Corporation du Service de recherche et d'expertise en transformation des produits forestiers de l'Est-du-Québec (SEREX) will be recognized as a CCTT for the purposes of the refundable tax credit for technological adaptation services. Recognition will be retroactive to July 8, 2014.

Second, the Cegep de Victoriaville, regarding its Centre d'expertise et de transfert en agriculture biologique et de proximité (CETAB+), will be recognized as a CCTT for the purposes of the refundable tax credit for technological adaptation services. Recognition will be retroactive to October 9, 2014.